

**AGENDA ITEM 9**

**REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET**

**21 DECEMBER 2017**

**REPORT OF THE  
HEAD OF TRANSPORT**

**PORTFOLIO: TRANSPORT**

**LARGE LOCAL MAJOR SCHEMES FUNDING STRATEGY AND NEXT STEPS**

**SUMMARY**

This report provides an update on the development of Outline Business Cases (OBCs) for the New Tees Crossing and Darlington Northern Link Road funded by Department for Transport's (DfT) Large Local Major Schemes Fund (LLMs). It also outlines a proposed approach for submission of a proposition to DfT that allows continued development of the business cases for the two schemes and their delivery via an alternative source of government funding than the LLM's process.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Note progress in developing proposals for a new Tees Crossing and the Darlington Northern Link Road;
- ii. Approve an allocation of up to £1 million in total for the two schemes, as 20% matched funding alongside a proposal to DfT for £4 million from the Large Local Major Scheme budget, to continue further development of both proposals to a position where they could enter a national roads programme;
- iii. Delegate submission of the proposals to the DfT to the Managing Director of the Combined Authority in consultation with the Tees Valley Mayor and the Lead Portfolio Holder for Transport.

**WORK TO DATE**

1. A significant amount of development work has already been undertaken on these two schemes. For the New Tees Crossing a Strategic Outline Business Case (SOBC) was agreed by the Combined Authority in March 2017. For the new link road to the

north of Darlington a SOBC for a new link road between Junction 59 of the A1(M) and the A66 at Little Burdon was agreed by the Combined Authority in May 2017.

2. Since this time, and using development funding provided through the Large Local Major Schemes Fund, Draft Outline Business Cases (OBCs) have been prepared for each scheme, mindful of the requirements of both DfT's WebTAG scheme guidance and Highways England's Project Control Framework (PCF). Following both sets of guidance was felt to provide the greatest flexibility to ensure delivery of each scheme in the future.
3. In parallel, the Combined Authority is also investigating the case for a complementary route for crossing the River Tees, as an Eastern Crossing connecting industrial sites on the north and south banks of the river. This is a separate business case, unconnected to the immediate propositions to DfT, and progress will be reported to Cabinet in summer 2018.

## **SCHEME BENEFITS**

4. The current Draft OBCs show:
  - a compelling strategic case for each scheme, based around the Department's stated objectives to ease congestion and provide upgrades on important national routes, to unlock economic and job creation opportunities, and to enable the delivery of new housing developments.
  - an economic case for the schemes, showing that they would deliver between them:
    - £861 million of savings to the UK economy;
    - 164,000 improved journeys each day;
    - 4,500 new jobs; and
    - 7,000 new houses.
  - a realistic financial case, based on updated cost estimates for each scheme, verified by a Tier 1 contractor in accord with Highways England best practice.
  - a robust management case, showing how we would continue the strong and collaborative governance model that we have adopted to date to identify, and mitigate, the key risks to scheme delivery.
  - a developing commercial case that has identified a preferred route to delivery for each of the schemes.
5. A Position Statement for each scheme that summarises the key outcomes of the Draft OBC has been prepared. These statements include the identification of a preferred option for each scheme, although at this stage we are not able to completely disregard alternatives options. The intention is that these Position Statements will be provided to the DfT on the 22<sup>nd</sup> of December subject to Cabinet approval.

## **CONSIDERATIONS**

6. Significant progress has been made on each scheme. The environmental assessment of the impact of both schemes is already well beyond the level that would be required on submission of an OBC through the Large Local Major Schemes Fund. The production of the most recent versions of the financial and commercial

case has highlighted that they are likely to be considered as nationally significant infrastructure projects.

7. Although the two schemes were included within the government's list of Large Local Major Schemes, and on this basis have benefited from development support from government, the Large Local Major Scheme fund is not large enough to accommodate the full costs of schemes of this scale. The most appropriate delivery route for each scheme has therefore been evaluated, given their potential costs. It is recommended that the New Tees Crossing is most appropriate for inclusion in the next Highways England Road Investment Strategy (RIS2) programme. The Darlington Northern Link Road is an ideal candidate for the new Major Roads Network element of the National Roads Fund beyond 2020, and could be delivered along with contributions from other emerging funding sources such as RIS2 and the Housing Infrastructure Fund.
8. With both of these delivery routes, future funding decisions will be taken over the course of 2018, with more firm commitments by early 2019.
9. As part of the commercial case for each scheme, an initial Funding Strategy has been developed, which concludes that the most appropriate option at this stage is to seek further development funding for each scheme in order to maintain critical momentum and provide the greatest possible chance of each scheme being accepted into the preferred funding route in 2018/early 2019. This option has been discussed with DfT.
10. It is therefore proposed that the two schemes are advanced, at this stage, through an application for further development funding from the Large Local Major Schemes Fund, with an appropriate local funding contribution. This proposal recognises, and builds on, the work done to date, particularly the strong and compelling strategic case for each scheme.
11. A costed schedule of additional work required to ensure the proposals are developed enough to enter Highways England's RIS2 process has been developed for completion by the end of 2018. This concentrates principally on bolstering the economic case for the schemes based on our previous feedback from the Department for Transport on transport modelling.
12. In summary, the anticipated total costs for taking this work forward are around £2.5 million for each scheme. To maximise the success of a bid to government, we recommend a local contribution of 20% from the Combined Authority. In total therefore our bid to DfT would amount to up to £4 million, with up to £1 million offered from the Combined Authority. We would also propose to commit a proportion of our local contribution in advance of hearing the outcome of our proposal to DfT, in order to maintain momentum on the programme and avoid a hiatus in project development.
13. The proposed approach recognises the significant amount of work done to date and the importance of the schemes to the Tees Valley's Strategic Economic Plan, but takes a realistic view of the availability of Large Local Major Schemes Funding. It is also in the spirit of our current, and evolving future, Devolution Deal and demonstrates our commitment to contribute to the delivery of national roads investment.

## **ROUTE OPTIONS**

### **Darlington Northern Link Road**

14. More detailed appraisal of the two options has led to the identification of Route A as the preferred option for a new highway link between Junction 59 of the A1(M) and A66/A1150 Little Burdon, to the north of Darlington.

The reasons that Route A is preferable as a basis going forwards include:

- It is marginally cheaper as topography along the route is less variable;
- It provides a more strategic route for through traffic between the A1(M) and A66;
- Route A has fewer sensitive air quality receptors than Route B. Fewer properties will be affected by noise on route A and more properties will benefit, in relation to noise, from Route A, and;
- It does not constrain potential future development as much as Route B

### **New Tees Crossing**

15. More detailed appraisal of the two options has led to the identification of the Tees Viaduct Option as the preferred option for a new strategic road crossing of the River Tees. The scheme will provide the following key improvements:

- More direct relief to the existing Tees Viaduct from existing weaving movements
- It is likely to provide additional reliability benefits, thus contributing to the value for money of the proposal
- Better integration with the planned Portrack Relief Road
- It does not require major reconstruction of Newport Roundabout
- It includes associated eastbound improvements on the A66 between Teesside Park and A19 interchanges
- The proposal reduces land take at the possible redevelopment site at Haverton Hill

## **FINANCIAL IMPLICATIONS**

16. The proposal requires a contribution of up to £1 million from the uncommitted resources identified in the Combined Authority's Investment Plan for Transport.

## **LEGAL IMPLICATIONS**

17. None.

## **RISK ASSESSMENT**

18. At this stage of the scheme development process the projects are categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.
19. There is a risk that our proposal to DfT is not accepted, or is accepted only in part. In these circumstances, we will reassess our funding strategy and consult further with Cabinet and the Transport Committee members.

## **CONSULTATION**

20. This approach has been presented and discussed at a workshop of Combined Authority Transport Committee members.
21. A series of public information events has been held, and a consultation questionnaire has been produced and publicised. There has also been engagement with key statutory stakeholders. A summary of the results of the public information events is in draft and will be provided to those who took part, and also hosted on the TVCA website.

**Name of Contact Officer: Mark Wilson**  
**Post Title: Head of Transport**  
**Telephone Number: 01642 524 453**  
**Email Address: [mark.wilson@teesvalley-ca.gov.uk](mailto:mark.wilson@teesvalley-ca.gov.uk)**